agta record ltd

interim report 2018

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interim report 2018

Trade activity

Most markets appeared to be on a reasonable growth path with the exceptions of France and Italy in the EU, Turkey and Switzerland in Europe, as well as Canada, Australia and Malaysia.

Order intake grew by 4% at constant exchange rates, with good performance of all subsidiaries but Australia (-10%) and Export (-4%). Germany, Switzerland and the US all managed to book order intake growth of 9%.

Profit and loss

Turnover grew 2.0% to EUR 178.6 million (to EUR 183.4 million at constant exchange rates, +4.7%) driven by strong performance of service and maintenance (growth of 6.2%, +8.2% at constant exchange rates).

The margin of the gross result improved by 0.9 percentage points to 74.3% helped by the growth of service and maintenance and price increases while savings on sourcing were offset by rising raw material costs. The efforts in restructuring the French business had also positive effects.

Efficiency and productivity improvements could be seen in personnel expenses which decreased by 0.5%. Structure costs were 0.1% lower.

The result was strong growth of EBITDA to EUR 24.7 million (+22.3%), representing an EBITDA margin of 13.8%. As depreciation, amortisation and impairments were also lower than in the first six months of 2017, EBIT grew by 37.1% to EUR 18.3 million.

Some subsidiaries contributed exceptionally positively to these excellent results: France grew local EBITDA by EUR 1.5 million, the US by EUR 0.7 million and also Germany by EUR 0.7 million.

The financial result of negative EUR -1.1 million was predominantly driven by the non-cash impact of declining values of Swiss Franc, British Pound and Dollar balances. The Group tax rate was slightly lower than in the prior-year period.

The net income margin became 7.5% of turnover at EUR 13.4 million, representing growth of 31.3% over last year.

Balance sheet

After payment of a dividend of CHF 1.30 per share (CHF 1.00 in the prior year) net liquidity (debt-free) increased to EUR 64.1 million (EUR 46.1 million 12 months ago), resulting in gearing of -26.5%.

Perspectives for the full year

We expect further improvements of order intake in France, Switzerland and Export. The Group confirms its anticipation of turnover growing by 3 to 4%. In terms of EBITDA the completion of the restructuring measures in France, the UK and the Netherlands could bring additional benefits.

STATEMENT BY THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

I hereby certify that, to the best of my knowledge, the condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with applicable accounting principles and present a fair view of the assets and liabilities, financial position and earnings of the Company and all of the companies included in the consolidation scope. I also certify that the half-year activity report presents a fair view of the main events occurring during the first six months of 2018, the impact thereof on the financial statements and the main related party transactions, as well as a description of the main risks and uncertainties for the remaining six months of 2018.

Fehraltorf, 7 September 2018

Chairman of the Board of Directors

Hubert Jouffroy

Selected balance sheet accounts

in million EUR	**30/06/2018**	31/12/2017
Cash and fixed-term deposits	**64.1**	62.1
Financial liabilities	**0.0**	0.1
Net liquidity	**64.1**	62.0
Shareholders' funds	**242.0**	240.0
Gearing	**-26.5%**	-25.9%

Simplified profit and loss account for the six months ended 30 June 2018

in million EUR	**30/06/2018**	30/06/2017
Turnover	**178.6**	175.2
Work in progress	**1.2**	0.2
Gross result	**132.7**	128.6
Personnel expenses	**-83.3**	-83.7
Structure costs	**-25.4**	-25.4
EBITDA	**24.7**	20.2
Depreciation and amortisation	**-6.4**	-6.9
EBIT	**18.3**	13.3
Financial result	**-1.1**	0.0
Profit of the period	**13.4**	10.2

Contents

Consolidated statement of financial position

in thousand EUR	**30/06/2018**	31/12/2017
Assets		
Property, plant and equipment	**54,762**	55,050
Goodwill and intangible assets	**74,107**	75,497
Non-current financial assets	**235**	251
Deferred tax assets	**7,313**	6,966
Total non-current assets	**136,417**	137,764
Inventories	**51,439**	49,008
Trade receivables	**73,789**	77,903
Income tax receivables	**4,977**	4,485
Other current receivables	**1,785**	1,433
Accrued income	**14,290**	5,952
Current financial assets	**147**	76
Cash and cash equivalents	**64,132**	62,133
Total current assets	**210,559**	200,990
Total assets	**346,976**	338,754
Equity		
Share capital	**8,751**	8,751
Other reserves	**12,425**	10,846
Treasury shares	**-563**	-884
Retained earnings	**208,071**	188,419
Profit of the period	**13,359**	32,902
Total equity attributable to shareholders	**242,043**	240,034
Liabilities		
Non-current financial liabilities	**10**	10
Defined benefit plan obligations	**16,232**	17,496
Non-current provisions	**1,987**	2,065
Deferred tax liabilities	**8,833**	8,785
Total non-current liabilities	**27,062**	28,356
Current financial liabilities	**23**	102
Trade payables	**21,792**	22,511
Income tax liabilities	**4,660**	3,428
Other current liabilities	**18,173**	16,118
Current provisions	**1,554**	1,646
Accrued liabilities	**31,669**	26,559
Total current liabilities	**77,871**	70,364
Total liabilities	**104,933**	98,720
Total equity and liabilities	**346,976**	338,754

Consolidated statement of comprehensive income

For the six months ended 30 June

in thousand EUR		**2018**	2017
Revenue from sales and services		**179,872**	175,451
Raw materials and consumables used		**-47,181**	-46,862
Gross result		**132,691**	128,589
Other operating income		**590**	686
Capitalisation of development costs		**126**	55
Personnel expenses		**-83,289**	-83,693
Other operating expenses		**-25,421**	-25,438
Operating profit before depreciation, impairment and amortisation		**24,697**	20,199
Depreciation of property, plant and equipment		**-4,387**	-4,247
Operating profit before impairment and amortisation		**20,310**	15,952
Impairment of intangible assets		**0**	-221
Amortisation of intangible assets		**-2,055**	-2,420
Operating profit		**18,255**	13,311
Financial income		**48**	69
Financial expense		**-1,117**	-73
Profit before tax		**17,186**	13,307
Income tax expense		**-3,827**	-3,134
Profit for the period		**13,359**	10,173
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of the defined benefit liability		**1,864**	224
Income tax on items that will not be reclassified to profit and loss		**-408**	-75
		1,456	149
Items that may subsequently be reclassified to profit and loss:			
Foreign currency translation effects - foreign operations		**2,513**	-4,342
Foreign currency translation effects - net investment approach		**-950**	-104
Income tax on items that may be reclassified to profit and loss		**16**	0
		1,579	-4,446
Other comprehensive income of the period, net of tax		**3,035**	-4,297
Total comprehensive income of the period		**16,394**	5,876
Earnings per share (basic / diluted)	(in EUR)	**1.006**	0.766

Consolidated statement of changes in equity

in thousand EUR	Share capital	Share premium	Translation reserve	Treasury shares	Retained earnings	Total
Balance at 1 January 2017	**8,751**	**50**	**22,430**	**-1,312**	**199,856**	**229,775**
Total comprehensive income for the period						
Profit for the period					10,173	10,173
Total other comprehensive income			-4,446		149	-4,297
Total comprehensive income for the period	**0**	**0**	**-4,446**	**0**	**10,322**	**5,876**
Transactions with owners of the company, recognised directly in equity						
Purchase of treasury shares				-227		-227
Sale of treasury shares				191		191
Gain/loss from sale of treasury shares net of transaction costs					16	16
Dividends paid to owners					-12,339	-12,339
Share-based payment transactions				428	132	560
Total transactions with owners of the company	**0**	**0**	**0**	**392**	**-12,191**	**-11,799**
Balance at 30 June 2017	**8,751**	**50**	**17,984**	**-920**	**197,987**	**223,852**
Balance at 1 January 2018	**8,751**	**50**	**10,796**	**-884**	**221,321**	**240,034**
Impact adoption of IFRS 15					35	35
Restated* balance at 1 January 2018	**8,751**	**50**	**10,796**	**-884**	**221,356**	**240,069**
Total comprehensive income for the period						
Profit for the period					13,359	13,359
Total other comprehensive income			1,579		1,456	3,035
Total comprehensive income for the period	**0**	**0**	**1,579**	**0**	**14,815**	**16,394**
Transactions with owners of the company, recognised directly in equity						
Purchase of treasury shares				-125		-125
Sale of treasury shares				55		55
Gain/loss from sale of treasury shares net of transaction costs					6	6
Dividends paid to owners					-14,777	-14,777
Share-based payment transactions				391	30	421
Total transactions with owners of the company	**0**	**0**	**0**	**321**	**-14,741**	**-14,420**
Balance at 30 June 2018	**8,751**	**50**	**12,375**	**-563**	**221,430**	**242,043**

*) First time adoption of IFRS 15. Under the transition method applied previous year financial information is not restated (Note 12).

Consolidated statement of cash flows

For the six months ended 30 June

in thousand EUR	2018	2017
Cash flows from operating activities		
Profit of the period	**13,359**	10,173
Income taxes	**3,827**	3,134
Depreciation and amortisation	**6,442**	6,667
Impairment of goodwill and intangibles	**0**	221
Gain(-)/loss(+) on disposal of property, plant and equipment	**23**	66
Net financial result	**1,069**	4
Share-based payments	**421**	560
Other non cash items	**636**	353
Change in inventories	**-2,137**	-2,013
Change in trade receivables	**4,277**	3,126
Change in other receivables and accrued income	**-8,675**	-3,039
Change in trade payables	**-791**	391
Change in other current liabilities and accrued liabilities	**5,872**	2,435
Income taxes paid	**-3,787**	-6,800
Interest received	**47**	69
Interest paid	**-7**	-33
Net cash from operating activities	**20,576**	15,314
Cash flows from investing activities		
Purchase of property, plant and equipment	**-4,420**	-6,248
Purchase of intangible assets	**-216**	-393
Capitalised development costs	**-126**	-55
Purchase of financial assets	**-94**	-28
Proceeds from sale of property, plant, equipment and intangibles	**564**	532
Proceeds from sale of financial assets	**39**	14
Net cash used in investing activities	**-4,253**	-6,178
Cash flows from financing activities		
Purchase of treasury shares, less transaction costs	**-125**	-227
Sale of treasury shares, less transaction costs	**61**	207
Repayment of bank liabilities	**-73**	-207
Repayment of finance lease liabilities	**-6**	-11
Dividends paid to owners	**-14,777**	-12,339
Net cash used in financing activities	**-14,920**	-12,577
Net increase(+)/decrease(-) in cash and cash equivalents	**1,403**	-3,441
Cash and cash equivalents at 1 January	**62,133**	50,468
Effect of exchange rate fluctuations on cash held	**596**	-760
Cash and cash equivalents at 30 June	**64,132**	46,267

Notes to the condensed consolidated interim financial statements

1 Reporting entity

agta record ltd (the "Company" or the “Group”) is a company domiciled in Fehraltorf, Switzerland. The condensed consolidated interim financial statements as at and for the six months ended 30 June 2018 include agta record ltd and its subsidiaries (hereinafter referred to as “Group”).

2 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting". They do not include all the information required for a complete set of IFRS financial statements and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended 31 December 2017.

These condensed consolidated interim financial statements have been reviewed, not audited.

The Board of Directors of the Company approved these condensed consolidated interim financial statements on 7 September 2018.

3 Basis of accounting

The accounting principles applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2017 except for new and revised standards becoming effective as from 1 January 2018 and relevant to the Group. They are described in Note 12.

The Group did not apply early any new and revised standards and interpretations, which have been issued but are not yet effective.

4 Estimates

The preparation of condensed consolidated interim financial statements in accordance with IFRS requires estimates and assumptions by the Group Executive Management which affects the reported amount of assets and liabilities as well as contingent liabilities at the balance sheet date and also expenses and income during the reporting period. The actual results may differ from these estimates.

The same estimation procedures and assumptions were used in these condensed consolidated interim financial statements as for the consolidated financial statements as at and for the year ended 31 December 2017 except for the newly applied IFRS Standards.

5 Exchange rates applied to the main currencies

		Average exchange rates		Balance sheet rates	
Six months ended 30 June		**2018**	2017	**30/6/2018**	31/12/2017
1	CHF	**0.85**	0.93	**0.86**	0.85
1	GBP	**1.14**	1.16	**1.13**	1.13
1	USD	**0.83**	0.92	**0.86**	0.83

The strength of the Euro during the first half of 2018 resulted in a net foreign exchange loss of TEUR 1,111 (prior year period loss: TEUR 40) included in financial expenses.

6 Operating segments

Six months ended 30 June	Europe and rest of world		North America		Reconciliation			Total
in thousand EUR	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Revenue from sales and services third parties	**158,320**	155,540	**20,262**	19,622	**1,290**	289	**179,872**	175,451
Sales to other segments	**5,141**	6,097	**8**	128	**-5,149**	-6,225	**0**	0
Revenue from sales and services	**163,461**	161,637	**20,270**	19,750	**-3,859**	-5,936	**179,872**	175,451
Segment result	**17,020**	13,025	**1,235**	286	**0**	0	**18,255**	13,311
Financial income							**48**	69
Financial expenses							**-1,117**	-73
Income tax							**-3,827**	-3,134
Profit for the period							**13,359**	10,173

Segment assets and liabilities as at 30 June 2018 did not change materially compared with 31 December 2017.

7 Fair Value

The Group did not have any financial instruments other than those subsequently measured at amortised cost as of 30 June 2018. The carrying amounts of the financial instruments are a reasonable approximation of fair value.

8 Seasonality of revenues

Historically, revenues in the first half of the year have been slightly lower than those in the second half. However, the magnitude of this general pattern is always obscured by the cyclical economic development in the various geographic markets. Therefore, and similar to previous years, no meaningful statement can be made with regard to the effects of seasonality in 2018.

9 Shareholders' equity

9.1 Share capital and other reserves

The share capital consists of 13,334,200 fully paid, unregistered shares with a nominal value of CHF 1.00 each and is translated into the presentation currency of the Group at historical cost.

9.2 Dividends paid

On 12 June 2018, the ordinary General Meeting approved the payment of a dividend of CHF 1.30 per share (prior year: CHF 1.00) as proposed by the Board of Directors. The payment date was 22 June 2018.

9.3 Employee shares

On 15 June 2018, 12,908 shares with a market value of TEUR 858 were transferred under the management share plan to members of senior management in recognition of the performance achieved in 2017.

In the first six months of 2018, TEUR 421 was charged in personnel expenses related to the management share plan, consisting of TEUR 541 as accrual for the first six months of 2018 and TEUR 120 as release of the provision related to the number of shares granted for performance in 2017.

10 Earnings per share

Six months ended 30 June	**2018**	2017
Profit for the period, in thousand EUR	**13,359**	10,173
Average number of shares outstanding	**13,285,627**	13,277,594
Earnings per share (basic/diluted) in EUR	**1.006**	0.766

11 Events after the balance sheet date

No events that could have an effect on the consolidated financial statements or that would require to be disclosed in this report have occurred between the balance sheet date and 7 September 2018, the date of approval of the condensed consolidated interim financial statements by the Board of Directors.

12 New accounting standards and standards not yet effective

The Group has adopted new accounting standards issued by the International Accounting Standards Board, IFRS 15, Revenue from Contracts with Customers, and IFRS 9, Financial Instruments, both effective on 1 January 2018.

The implementation of IFRS 15 had an impact on sales related to projects with revenue historically recognised upon handover of the project to the customer. The new IFRS 15 principles require the recognition of revenue upon change of control.

Implementation of IFRS 9 did not have a material impact on the consolidated financial statements.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 establishes a five step model that applies to revenue arising from contracts with customers. Revenue is recognised when, or as, the customer obtains control of the goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

The Group adopted the new standard by using the modified retrospective method. The impact of the first-time adoption of IFRS 15 is immaterial. The restatement of the opening balances as per 1 January 2018 is presented in the consolidated statement of changes to equity.

The impact of the implementation of IFRS 15 is limited to revenue recognition of door installations and maintenance contracts where revenue recognition occurs over time.

Application of the standard requires the identification of each separate performance obligation on contract level, the allocation of the total consideration to each individual performance obligation, the inclusion of potential future variable portions of the consideration and the recognition of resulting revenue upon satisfaction of the performance obligation with respect to the manner control is transferred to the customer. Revenue is recognised over time if a performance creates or enhances an asset which the customer controls as the asset is created or enhanced. This is the case for door installations, door services and maintenance contracts. Revenue is recognised at a point in time when the customer acquires control over the asset at a specific point in time. This is straightforward if door components are delivered. For door installations with short installation times, revenue is recognised when the installation process is completed.

Advanced payments received from customers do not contain a financing component. They are part of other current liabilities in the statement of financial position.The Group does not recognise contract assets for obtaining a contract as it applies the practical expedient for contracts with durations of one year or less. Related costs are expensed as incurred. Contract assets are recognised under accrued income, contract liabilities under accrued expenses in the statement of financial position.

The application of IFRS 15 had no impact on the interim statement of the cash flows of the Group.

The main effects of the first-time application of IFRS 15 are attributed to the earlier recognition of revenue from door installations and to earlier recognition of potential credit notes issued for performance obligations remaining unsatisfied in association with maintenance contracts.

The following tables summarises the impact of adopting IFRS 15 on the interim statement of financial position of the Group as at 30 June 2018 and its interim statement of comprehensive income for the six months ended 30 June 2018.

30 June 2018 in thousand EUR	**Including IFRS 15**	**Adjustment**	**Previous IFRS**
Assets			
Deferred tax assets	7,313	-184	7,129
Total non-current assets	136,417	-184	136,233
Inventories	51,439	1,080	52,519
Accrued income	14,290	-1,214	13,076
Total current assets	210,559	-134	210,425
Total assets	346,976	-318	346,658
Equity			
Other reserves	12,425	-4	12,421
Profit of the period	13,359	-256	13,103
Total equity attributable to shareholders	242,043	-260	241,783
Liabilities			
Deferred tax liabilities	8,833	-243	8,590
Total non-current liabilities	27,062	-243	26,819
Accrued liabilities	31,669	185	31,854
Total current liabilities	77,871	185	78,056
Total liabilities	104,933	-58	104,875
Total equity and liabilities	346,976	-318	346,658

For the six months ended 30 June in thousand EUR	Including IFRS 15	Adjustment	Previous IFRS
Revenue from sales and services	179,872	-315	179,557
Gross result	132,691	-315	132,400
Operating profit before depreciation, impairment and amortisation	24,697	-315	24,406
Operating profit	18,255	-315	17,964
Profit before tax	17,186	-315	16,895
Income tax expense	-3,827	59	-3,758
Profit for the period	13,359	-256	13,137
Other comprehensive income			
Foreign currency translation effects – foreign operations	2,513	-4	2,509
Total comprehensive income of the period	16,394	-260	16,134
Earnings per share (basic / diluted)	1.006		0.989

IFRS 9 'Financial Instruments'

IFRS 9 provides revised guidance on the classification, measurement and recognition of financial instruments. A new impairment model is introduced that is based on expected credit losses rather than incurred losses. The new impairment model has only marginal impact on the financial performance and financial position of the Group.

IFRS 16 'Leasing'

This standard applies to the accounting period starting 1 January 2019. Earlier application is permitted. The Group did not choose this option. This standard requires the recognition of all significant leasing contracts in the balance sheet. The leasing contracts of Group companies primarily concern leased premises and motor vehicles. The evaluation of the financial impact of the application of this standard on the financial statements of the Group is still ongoing.

Building a better working world

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To the Board of Directors of
agta record ltd, Fehraltorf

Zurich, 7 September 2018

Report on the review of interim condensed consolidated financial statements

Introduction

We have reviewed the interim condensed consolidated financial statements (consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes) (pages 1 to 9) of agta record ltd for the period from 1 January 2018 to 30 June 2018. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 "*Interim Financial Reporting*". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 "*Interim Financial Reporting*".

Ernst & Young Ltd

Rico Fehr Licensed audit expert (Auditor in charge)	Marco Casal Licensed audit expert

Report on the review of
interim condensed consolidated financial statements

as of 30 June 2018 of

agta record ltd, Fehraltorf

Building a better
working world

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